



STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

Energy and Technology Committee

Public Hearing, March 8, 2022

Testimony submitted and presented by:
PURA Position:

Marissa P. Gillett, Chairman
Informational

S.B. 275 – An Act Concerning Economic Development Tariffs

Thank you for the opportunity to present testimony regarding **An Act Concerning Economic Development Tariffs, S.B. 275**. The Public Utilities Regulatory Authority (PURA or the Authority) welcomes the opportunity to offer the following *informational testimony*. The Authority generally **supports** the concept of the bill and respectfully offers the amendments set forth below.

The Public Utilities Regulatory Authority fully supports the efforts of the Lamont administration, the Department of Economic and Community Development, and the General Assembly to help foster economic growth in Connecticut. Indeed, the first of PURA's four objectives outlined in its strategic initiative, the [Framework for an Equitable Modern Grid](#), is to support (or remove barriers to) the growth of Connecticut's green economy. One of the explicit goals of at least four (4) of the eleven (11) tracks of the Equitable Modern Grid is to foster economic development in Connecticut. For example, Docket No. 17-12-03RE05 is investigating a structure whereby novel energy technologies and programs can be tested and scaled in Connecticut, bringing net present value to all ratepayers while developing an in-state ecosystem of innovation to attract and retain innovative technology companies. Further, Docket No. 17-12-03RE11 is scheduled to investigate economic development tariffs and rates, pursuant to Public Act 20-5 ("Take Back Our Grid Act").

Overall, PURA is supportive of the creation of economic development rates. Done correctly, economic development rates establish an electric rate sufficient to attract both new businesses looking to locate to Connecticut and to encourage existing businesses to expand. Importantly, the increase in electricity demand from this new or expanded load has the potential to lower electricity rates overall as the largely fixed-price delivery costs would then be spread over more customers and electricity usage. In the absence of economic development rates, this new load may not materialize and existing customers would not reap the benefits of lower rates. However, establishing economic development rates that ensure that both new (or expanding) businesses *and* existing ratepayers benefit requires a delicate balancing of these competing interests, as well as an understanding of utility rates, the ratemaking process, the impact on different customer classes, and fixed and marginal cost drivers.

The current language of S.B. 275 would limit the benefit of the economic development rate to two (2) cents per kilowatt-hour (kWh). Without further investigation, it is unclear whether such a credit is sufficiently large enough to attract new customer load, or to drive expansion, within Connecticut. Conversely, it is also unclear what the impact of such credit would be on existing customers. Further, if a two (2) cents per kWh credit is sufficient in 2022, it is difficult to project how long such credit would remain

10 Franklin Square, New Britain, CT 06051

An Equal Opportunity Employer
www.ct.gov/pura

appropriate. Thus, it is likely that the proposed language would require future amendments to ensure relevance in the coming years. Based on the foregoing, the Authority respectfully submits the following amendment to subdivision (3) for the committee's consideration:

Lines 12 – 13:

(3) The economic development rate shall be structured as a fixed utility bill credit **[of two cents per kilowatt hour]** **that sufficiently incentivizes the development of new load, while also lowering electric rates for existing electric ratepayers.**

Additionally, the Authority respectfully submits the below amendments to subsection (a) to clarify the process through which PURA will develop and approve such economic development tariffs and rates, as the Authority is not statutorily authorized to negotiate or enter into agreements directly with retail electric customers.

Lines 1 – 6:

(a) In **[an agreement negotiated and entered into by the Public Utilities Regulatory Authority, or made during]** a proceeding **[or order]** initiated pursuant to section 16-19, 16-19e, 16-19oo or 16-19zz of the general statutes, the **[authority]** **Public Utilities Regulatory Authority** may approve **[an]** economic development **[rate]** **tariffs and a methodology for setting such tariff rates** for new or existing customers, subject to the following limitations:

Last, the Authority respectfully recommends that the term “agreement” be replaced with the term “tariff” throughout, with any other conforming changes required.

Summary of Requested Action

The Authority supports the overall concepts included in the bill, which has the potential to expand Connecticut's economy while providing corresponding ratepayer benefits. The Authority respectfully submits the three modifications outlined above for the committee's consideration.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Taren O'Connor at 860-827-2689(o), 860-999-3498(c) or by email at: taren.oconnor@ct.gov.